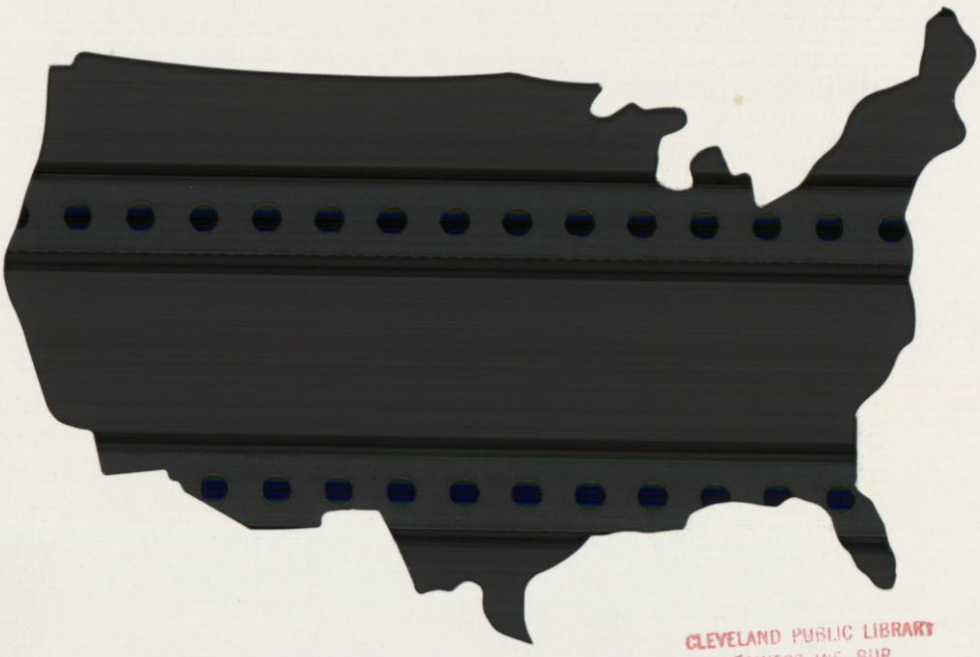

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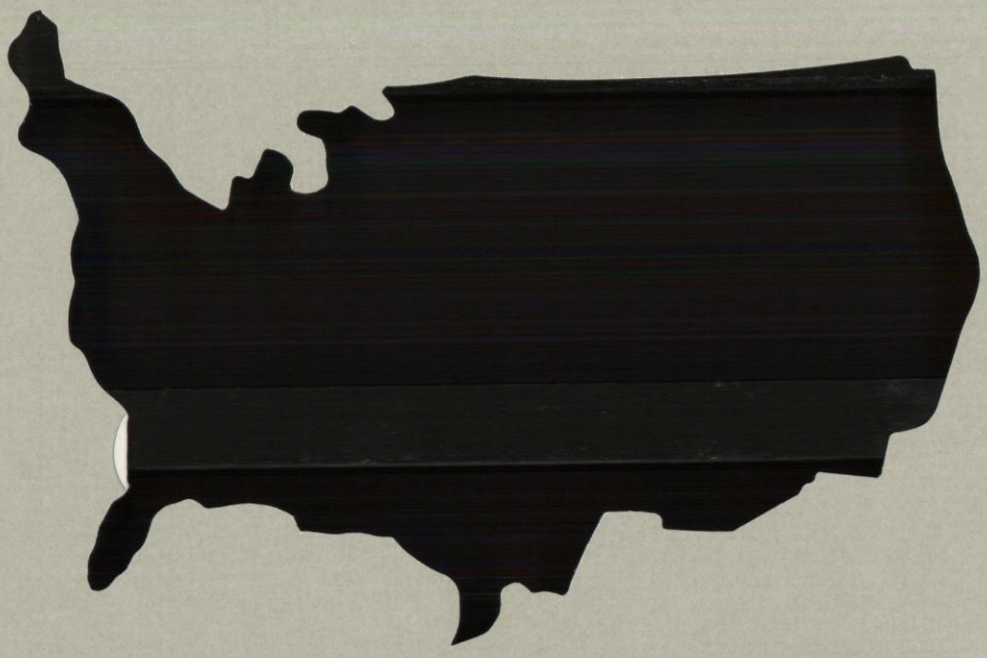
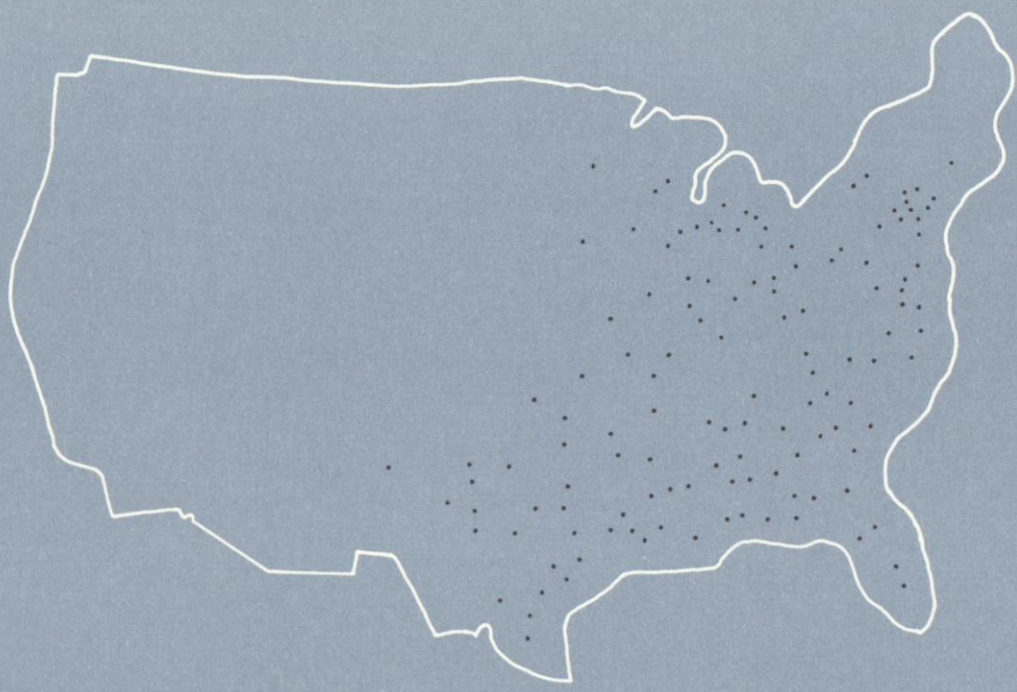
CORPORATION FILE

Mangel Stores

CORPORATION

1969 ANNUAL REPORT





Mangel Stores Corporation, through its 150 stores and licensed departments, serves communities from New York to Florida, from Savannah to Santa Fe, in small towns and large cities and in downtown areas and in suburbia. A respected tradition that dates back more than sixty years.

TO OUR SHAREHOLDERS:

The fiscal year ended February 1, 1969 was the most successful in the history of the Company. Record sales and earnings were achieved notwithstanding the fact that the year consisted of a fifty-two week period compared to a fifty-three week period last year, three fewer stores were operated than in the previous year, and the imposition of the 10% Federal income tax surcharge. Many factors contributed to the outstanding results, but perhaps the most important was the efficient performance of our own organization. Our merchandising staff was further strengthened and refined. Our field organization for the operation of the conventional Mangel Stores was augmented and improved. Merchandising, operating and sales techniques continued to become more and more sophisticated. Our distribution center and accounting and budgeting departments functioned well and showed great initiative.

Earnings

Net income, including the extraordinary credit, amounted to the record sum of $1,843,948, or $2.08 per share, after the 10% Federal income tax surcharge which amounted to $.09 per share, compared with $1,015,814, or $1.15 per share the previous year (restated to give effect to the 6% stock dividend), an increase of 82%. The cash flow, calculated by adding depreciation and amortization, aggregating $1,626,346, to the net income of $1,843,948, was $3,470,294, or $3.91 per share, compared with $2.84 per share last year.

Sales

Net sales, including rental income from licensed departments, amounted to the record sum of $122,149,813 this year compared with $117,451,430 last year, an increase of $4,698,383, or 4%. Total store sales which includes sales of licensed departments, amounted to the record sum of $136,702,170 and compares with $134,142,890 last year.

Financial Condition

Our financial condition remains strong as shown by the Balance Sheet on Pages 8 and 9. The changes in working capital are accounted for as follows:

ADDITIONS TO WORKING CAPITAL:

Net income for the year	$1,843,948
Depreciation and amortization not requiring outlay of funds	1,626,346
Total	3,470,294

DEDUCTIONS FROM WORKING CAPITAL:

Cash dividends	334,782
Purchase of fixed assets – net	655,876
Decrease in long-term debt	1,495,118
Other – net	2,955
Total	2,488,731
Increase in Working Capital	$ 981,563

Dividends

Four quarterly cash dividends of $.10 each were declared and paid during the year, a total of $.40, and a 6% stock dividend was paid on December 16, 1968. A cash dividend of $.10 per share was paid on March 17, 1969. We intend to continue dividend payments as warranted by earnings and consistent with the requirements of the Company.

Expansion

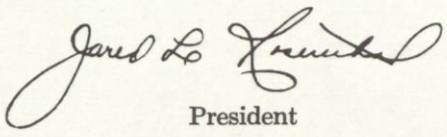
During the fiscal year six Shoppers Fair stores were refurbished, one of which was enlarged by 20,000 square feet, and thirty conventional Mangel stores were refurbished. We plan to continue this program of refurbishing the Shoppers Fair and Mangel stores. In addition, leases are now being negotiated for several new Mangel stores for opening during 1969 and 1970. Work is in progress for the reconstruction of one of our large Shoppers Fair discount stores, which was destroyed by fire in October, 1968. A reopening of the unit is planned for early summer 1969. We also seek to increase sales and earnings by the acquisition of existing stores and chains, and are actively pursuing that goal.

General

Shortly after the close of the fiscal year, three officers and directors, Messrs. Sol Mangel, Max Weinreich and Phillip F. Frankel, associated with the Company since its inception, announced their retirement from active management. Our entire organization joins me in acknowledging their tremendous contribution to the growth and success of our Company, and in wishing them good health and happiness in their retirement. Elected to the Board of Directors to fill the vacancies created by the above retirements were Messrs. Frederick H. Schroeder, Senior Vice President of Walston & Co., Joseph A. Hannan, Jr., Executive Vice President of The Bank of New York, and Rene R. Woolcott, Chairman of the Executive Committee of Pacific Clay Products. We are fortunate in having these men of vast and varied experience join our Board of Directors.

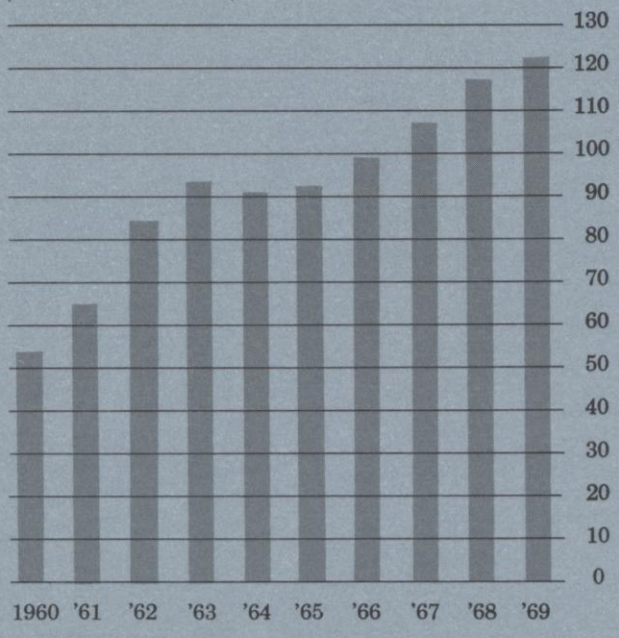
I express once more our appreciation and thanks to our employees, suppliers and shareholders for their continuing cooperation.

May 5, 1969

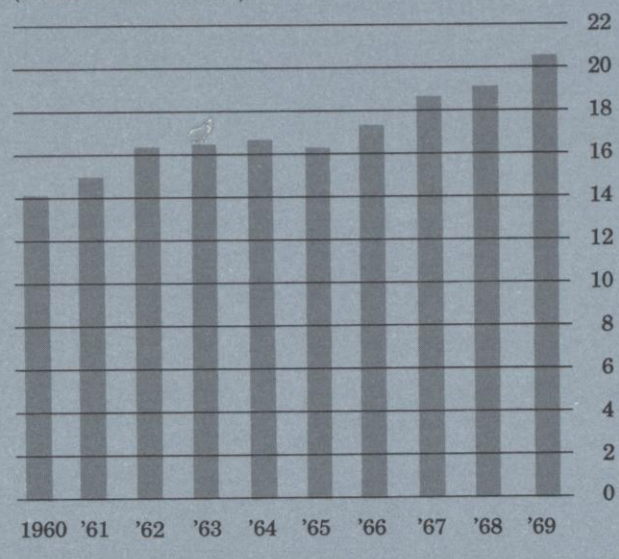


President

Sales
(in millions of dollars)



Shareholders' Equity
(in millions of dollars)



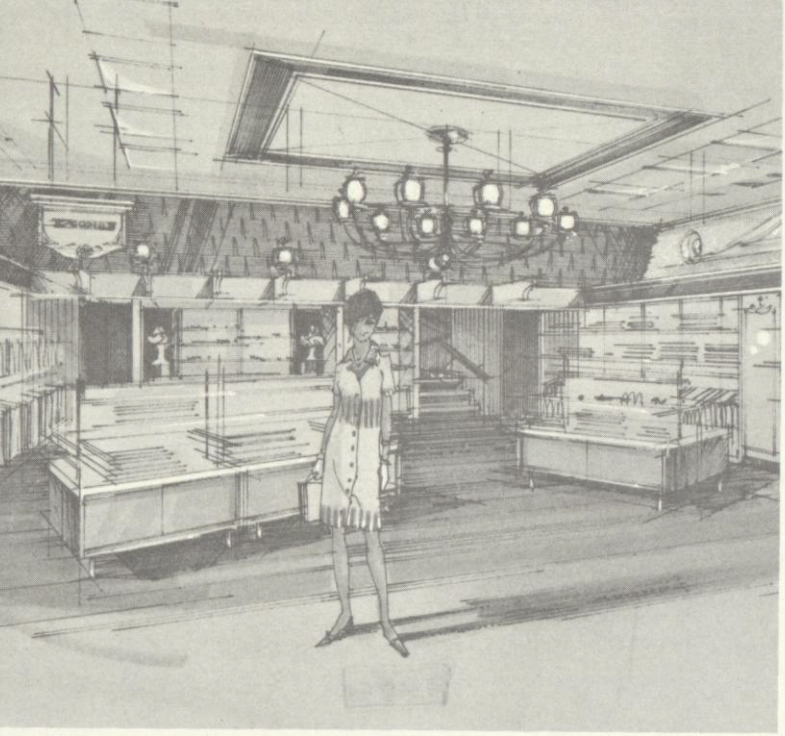
HIGHLIGHTS

Income Data	1969	1968[2]
Net Sales, Including Rental Income from Licensed Departments	$122,149,813	$117,451,430
Income before Federal Income Taxes and Extraordinary Item	2,585,948	1,345,814
Federal Income Taxes	986,000	436,000
Income before Extraordinary Item	1,599,948	909,814
Extraordinary Item	244,000	106,000
Net Income	1,843,948	1,015,814
Cash Dividends	334,782	321,088
Stock Dividends	1,092,511	514,605
Number of Stores and Licensed Department Locations	150	153
Balance Sheet Data		
Current Assets	$35,389,648	$ 33,937,200
Current Liabilities	15,135,345	14,664,460
Net Working Capital	20,254,303	19,272,740
Current Ratio	2.3	2.3
Accounts Receivable – net	$ 8,563,634	$ 8,256,458
Merchandise Inventories	22,188,538	21,805,037
Fixed Assets – net	12,831,168	13,801,638
Long-Term Debt	13,260,339	14,755,457
Shareholders' Equity	20,586,148	19,057,289
Per Share Data		
Income Before Extraordinary Item	$ 1.80[1]	$ 1.03[3]
Extraordinary Item	.28	.12[3]
Net Income	2.08[1]	1.15[3]
Cash Dividends	.38[3]	.36[3]
Stock Dividends	6%	4%
Book Value	$23.18	$21.50[3]

(1) The Federal income tax surcharge for 1969 was $.09 per share.

(2) Certain income data for 1968 has been restated from amounts previously reported to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants.

(3) Adjusted for stock dividends.



As reported in the President's letter
of this report, both the Shoppers Fair Discount
Division and the Mangel Specialty Stores
were on an extensive and continuing program
of refurbishing during 1968.
On the left is a sketch of the interior
of the new main floor of the Mangel store
on Canal Street in New Orleans, La.

TEN YEAR SUMMARY OF PROGRESS

Fiscal years ended (approximately) January 31

Income Data	1969	1968
Net Sales, Including Rental Income from Licensed Departments	$122,149,813	$117,451,430
Income before Federal Income Taxes and Extraordinary Items	2,585,948	1,345,814
Federal Income Taxes	986,000	436,000
Income before Extraordinary Items	1,599,948	909,814
Extraordinary Items	244,000	106,000
Net Income	1,843,948	1,015,814
Cash Dividends	334,782	321,088
Stock Dividends	1,092,511	514,605
Number of Stores and Licensed Department Locations	150	153
Balance Sheet Data		
Current Assets	$ 35,389,648	$ 33,937,200
Current Liabilities	15,135,345	14,664,460
Net Working Capital	20,254,303	19,272,740
Current Ratio	2.3	2.3
Accounts Receivable – Net	$ 8,563,634	$ 8,256,458
Merchandise Inventories	22,188,538	21,805,037
Fixed Assets – Net	12,831,168	13,801,638
Long-Term Debt	13,260,339	14,755,457
Shareholders' Equity	20,586,148	19,057,289
Per Share Data*		
Income before Extraordinary Items	$ 1.80	$ 1.03
Extraordinary Items	.28	.12
Net Income	2.08	1.15
Cash Dividends	.38	.36
Stock Dividends	6%	4%
Book Value (on adjusted shares outstanding at the end of each respective year)	$23.18	$21.50

*Based on average number of shares outstanding adjusted retroactively for stock dividends.

**Excludes special credit of $127,587 which has been reclassified to Retained Earnings.

MANGEL STORES CORPORATION

and Subsidiaries

1967	1966	1965	1964	1963	1962	1961	1960
$107,572,031	$99,214,954	$92,995,050	$90,240,174	$93,907,125	$84,664,098	$65,096,448	$54,334,304
1,877,559	1,507,601	(9,364)	1,691,651	1,463,767	2,314,523	2,237,379	2,570,353
791,000	626,000	349,000	594,000	577,030	837,908	833,000	977,000
1,086,559	881,601	(358,364)	1,097,651	886,737	1,476,615	1,404,379	1,593,353
276,000	206,000	93,290	29,584	——	——	——	——
1,362,559	1,087,601	(265,074)	1,127,235	886,737	1,476,615**	1,404,379	1,593,353
308,176	75,492	217,883	871,590	870,992	850,830	822,906	754,836
377,927	205,716	360,607	——	——	——	——	——
156	157	164	164	167	162	132	126
$ 29,338,207	$27,816,655	$22,616,333	$22,991,649	$21,496,514	$19,251,066	$14,596,020	$13,181,906
14,433,599	11,712,443	7,134,077	6,990,734	5,213,402	6,358,555	3,882,771	3,568,957
14,904,608	16,104,212	15,482,256	16,000,915	16,283,112	12,892,511	10,713,249	9,612,949
2.0	2.4	3.1	3.3	4.1	3.0	3.8	3.7
$ 7,485,040	$ 7,024,533	$ 5,178,013	$ 4,735,326	$ 4,212,776	$ 2,793,528	$ 2,964,310	$ 3,277,502
18,168,763	16,384,279	13,558,696	15,858,721	13,101,138	11,384,452	7,393,154	5,799,507
13,137,850	11,534,258	11,740,621	12,026,100	12,323,977	11,288,156	10,174,228	8,652,340
10,400,584	11,140,339	12,194,140	12,967,054	13,684,635	8,944,040	6,827,390	4,982,675
18,341,861	17,273,688	16,260,312	16,752,597	16,495,658	16,389,968	14,930,984	14,020,446
$ 1.23	$ 1.00	($.41)	$ 1.25	$ 1.00	$ 1.68	$ 1.68	$ 2.08
.31	.23	.11	.03	——	——	——	——
1.54	1.23	(.30)	1.28	1.00	1.68	1.68	2.08
.35	.09	.25	.99	.99	.99	.99	.99
4%	2%	4%	——	——	——	——	——
$20.74	$19.57	$18.42	$18.97	$18.68	$18.61	$17.72	$17.15

Certain income and Federal income tax amounts shown above for the years 1964 through 1968 have been restated from amounts previously reported. Such changes are the result, generally, of retroactive application to applicable years of "special items" for the years 1965 and 1966 and the restatement of Federal income taxes to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants. Amounts prior to 1964 have not been so adjusted.

CONSOLIDATED BALANCE SHEET

As at February 1, 1969 — February 3, 1968

Assets	1969	1968
CURRENT ASSETS:		
Cash	$ 2,580,028	$ 2,737,017
Short-term investments — at cost, plus amortized discount	842,965	198,878
Accounts receivable — trade, less reserves for doubtful accounts of $356,892 and $341,116, respectively	8,563,634	8,256,458
Miscellaneous receivables	544,735	374,692
Merchandise inventory — at the lower of cost or market, based upon the retail method of inventory valuation	22,188,538	21,805,037
Prepaid expenses	669,748	565,118
TOTAL CURRENT ASSETS	35,389,648	33,937,200
OTHER ASSETS (including estimated refunds of Federal income taxes of $169,850 and $254,314, respectively)	332,001	471,231
FIXED ASSETS — at cost — Note B:		
Land	1,325,475	1,325,475
Buildings — less reserve for depreciation of $1,638,371 and $1,478,766, respectively	3,032,707	3,186,859
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization aggregating $7,886,557 and $6,908,052, respectively	8,472,986	9,289,304
	12,831,168	13,801,638
DEFERRED CHARGES	626,397	437,012
GOODWILL	1	1
	$49,179,215	$48,647,082

The accompanying notes are an integral part of this statement.

MANGEL STORES CORPORATION
and Subsidiaries

Liabilities			1969	1968
CURRENT LIABILITIES:				
Current portion of long-term debt			$ 1,503,421	$ 1,050,977
Accounts payable — merchandise			9,826,263	10,269,828
Accrued expenses and sundry liabilities			2,686,821	2,538,530
Customers deposits and credits			262,470	240,634
Reserve for Federal income taxes — Note A			856,370	564,491
TOTAL CURRENT LIABILITIES			15,135,345	14,664,460
LONG-TERM DEBT, less current portion — Note B			13,260,339	14,755,457
DEFERRED COMPENSATION			197,383	169,876
TOTAL LIABILITIES			28,593,067	29,589,793
SHAREHOLDERS' EQUITY — Notes B and C:				
	Shares			
Common Stock — par value $1 per share:	1969	1968		
Authorized	2,000,000	1,000,000		
Issued	905,081	853,221	905,081	853,221
Less: Treasury stock	16,927	16,927	16,927	16,927
Outstanding	888,154	836,294	888,154	836,294
Capital Surplus			6,333,554	5,273,210
Retained Earnings			13,364,440	12,947,785
			20,586,148	19,057,289
			$49,179,215	$48,647,082

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year (52-53 weeks)
ended February 1, 1969 — February 3, 1968

	1969	1968
Net sales, including rental income from licensed departments	$122,149,813	$117,451,430
Deduct:		
Cost of sales, including occupancy expenses	90,776,304	89,183,558
General, administrative and selling expenses, less service charges on customers accounts	26,732,830	25,050,510
Depreciation and amortization (computed generally on straight line method)	1,626,346	1,495,036
	119,135,480	115,729,104
	3,014,333	1,722,326
Other deductions — net (including interest expense of $1,047,801 and $955,401, respectively)	428,385	376,512
Income before items shown below	2,585,948	1,345,814
Federal income taxes — Note A	986,000	436,000
Income before extraordinary item ($1.80 and $1.03 per share, respectively)	1,599,948	909,814
Extraordinary item — Credits equivalent to reduction in Federal income taxes resulting primarily from use of net operating loss carryforwards and investment tax credit carryforwards — Note A ($.28 and $.12 per share, respectively)	244,000	106,000
Net income ($2.08 and $1.15 per share, respectively)	1,843,948	1,015,814
Retained Earnings at the beginning of the year	12,947,785	12,767,664
	14,791,733	13,783,478
Deduct:		
Cash dividends	334,782	321,088
Stock dividend	1,092,511	514,605
	1,427,293	835,693
Retained Earnings at the end of the year — Note B	$ 13,364,440	$ 12,947,785

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

As at February 1, 1969

The consolidated balance sheet as at February 3, 1968 and the consolidated statement of income and retained earnings for the year (53 weeks) ended February 3, 1968, as restated, are shown for comparative purposes only. Reference should be made to the previously issued report for the Accountants' Report and notes pertaining to those financial statements.

Note A — Federal Income Taxes:

The companies file Federal income tax returns on an individual company basis. Available investment tax credits arising in the current year are applied as reductions of provisions for Federal income taxes.

Consolidated Retained Earnings include undistributed earnings of subsidiaries which may be subject to income taxes if and when distributed in the form of dividends.

Note B — Long-Term Debt:

Long-term debt consists of the following:

	Total	Due in one year	Due after one year
Notes payable — banks, maturing in varying annual installments between February 1969 and 1973, with quarterly interest at ¾% in excess of prime commercial rates	$ 5,000,000	$ 500,000	$ 4,500,000
5.80% Note Payable — insurance company, payable in annual installments of $750,000 through January 15, 1978	6,750,000	750,000	6,000,000
4% to 6% Mortgages payable — in installments to 1984	2,714,838	153,780	2,561,058
Liability (including finance charges) for purchase of equipment, collateralized by the related equipment	298,922	99,641	199,281
	$14,763,760	$1,503,421	$13,260,339

Land and buildings with a net book amount of $4,250,429 as at February 1, 1969, together with intercompany and other leases, are pledged as collateral for mortgages payable.

Covenants contained in agreements with banks and the insurance company require the maintenance of at least a specified amount of minimum consolidated working capital and provide restrictions on the payment of dividends (other than stock dividends) and acquisition of the Company's capital stock. As at February 1, 1969, approximately $800,000 was available for such purposes under the most restrictive of these covenants.

Note C — Shareholders' Equity:

During the year, the Certificate of Incorporation was amended whereby the authorized Common Stock, par value $1 per share, was increased to 2,000,000 shares.

A 6% stock dividend (50,231 shares) declared in November 1968 resulted in credits to Common Stock ($50,231) and Capital Surplus ($1,042,280).

The Company has a 1964 stock option plan ("1964 Plan") and a 1967 stock option plan ("1967 Plan") pursuant to which options may be granted to officers and key employees at prices which are not less than fair market prices at dates of grant. The 1964 Plan is for 25,000 shares and the 1967 Plan (adjusted for stock dividends) is for 53,935 shares of Common Stock. Under the plans, options are exercisable on a cumulative basis over a five year period after which they expire.

Changes in the status of these options are summarized as follows:

	1964 Plan	1967* Plan
Shares under option, beginning of year	18,660	46,153
Options granted	—	2,332
Options terminated	(1,220)	(10,798)
Options exercised	(1,160)	(469)
Shares under option, end of year	16,280	37,218
Shares available for option, end of year	4,180	15,700

*Adjusted for stock dividends.

Option prices range from $10.50 to $16.04 per share.

The issuance of 1,629 shares of stock for options exercised resulted in an increase of $18,064 in Capital Surplus.

Subsequent to February 1, 1969, stock options were granted for the purchase of 4,000 shares (1964 Plan) of Common Stock at $21.125 per share and 6,500 shares (1967 Plan) of Common Stock at $23.75 per share.

Note D — Lease Commitments:

As at February 1, 1969, the minimum annual rentals on real property under leases then in force, exclusive of intercompany rentals, amounted to approximately $4,100,000, including approximately $31,000 applicable to four lessors in which certain officers and directors have interests. Approximate aggregate minimum annual rentals are set forth below:

Leases terminating during period:

	Amount
From February 2, 1969 to January 31, 1978	$1,293,000
From February 1, 1978 to January 31, 1988	2,216,000
From February 1, 1988 to April 30, 2006	591,000

Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc.

ACCOUNTANTS' REPORT

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at February 1, 1969, and the related consolidated statement of income and retained earnings for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at February 1, 1969 and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. Leidesdorf & Co.

New York, N. Y.
April 8, 1969

SOL MANGEL, Honorary Chairman of the Board of Directors

DIRECTORS

HERBERT J. DEITZ

ISRAEL A. DIAMOND

JOSEPH A. HANNAN, JR.

SANFORD S. JAFFE

MAURICE N. JAFFE

GEORGE M. JAFFIN

AL KLEIN

EMANUEL MANGEL

JARED L. ROSENTHAL

FREDERICK H. SCHROEDER

RENE R. WOOLCOTT

OFFICERS

JARED L. ROSENTHAL
President

ISRAEL A. DIAMOND
Vice-President and Treasurer

AL KLEIN
Vice-President
Assistant Secretary and Controller

SANFORD S. JAFFE
Vice-President
Director of Polly Perrey Division

MAURICE N. JAFFE
Vice-President
Director of Polly Perrey Division

EMANUEL MANGEL
Assistant Treasurer and
Assistant Secretary

LAWRENCE SCHAEN
Vice-President
General Merchandise Manager, Soft Lines

B. ROBERT ROSTHAL
Vice President
Supervisor of Licensed Operations

MAURICE MANTEL
Vice-President
Director of Construction and Maintenance

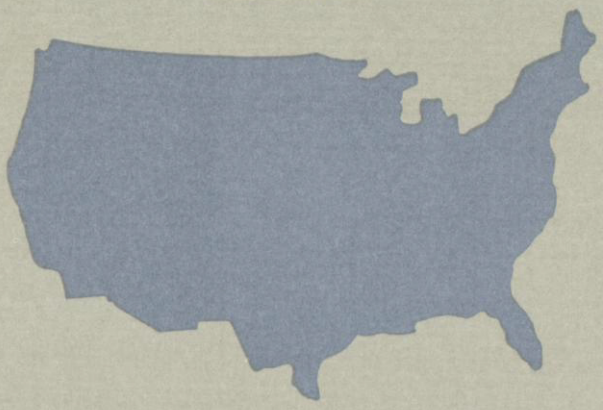
RICHARD GILBERT
Vice-President
Director of Sales Promotion

HARRY MAER
Vice-President
Supervisor of Store Operations

DAVID M. DIAMOND
Vice-President

COUNSEL Cole & Deitz, New York, N. Y.
AUDITORS S. D. Leidesdorf & Co., New York, N. Y.
TRANSFER AGENT Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N. Y. 10007
REGISTRAR Manufacturers Hanover Trust Company, 40 Wall Street, New York, N. Y. 10015

Mangel Stores
CORPORATION



150 STORE AND LEASED DEPARTMENT LOCATIONS

ALABAMA
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile (2)
Montgomery
Prichard
Selma
Tuscaloosa

ARKANSAS
Fort Smith
Hot Springs
Little Rock
Pine Bluff (2)

CONNECTICUT
Bridgeport
South Norwalk

DELAWARE
Wilmington

FLORIDA
Jacksonville
Key West
Miami (2)
Orlando
Panama City
Pensacola (3)
Tallahassee
Tampa

GEORGIA
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

ILLINOIS
Danville
Kankakee
Quincy

INDIANA
Columbus
Evansville
Gary
Indianapolis (2)
Lafayette
Marion
Michigan City
Muncie
South Bend

IOWA
Clinton
Des Moines

KENTUCKY
Paducah
Shively

LOUISIANA
Baton Rouge (3)
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

MARYLAND
Randallstown
Salisbury

MICHIGAN
Adrian
Battle Creek
Benton Harbor
Detroit (4)
Flint
Holland
Jackson
Lansing
Saginaw

MINNESOTA
St. Paul

MISSISSIPPI
Greenville
Jackson
Meridian
Natchez

MISSOURI
St. Louis (2)
Springfield

NEW JERSEY
Pennsauken
New Shrewsbury
Trenton

NEW MEXICO
Hobbs
Santa Fe

NEW YORK
Brooklyn
Kingston
Middletown
Newburgh (2)
Peekskill (2)
Rochester
Syracuse (2)

NORTH CAROLINA
Asheville
Elizabeth City
Greensboro
Raleigh

OHIO
Akron
Canton (2)
Columbus
Dayton (2)
Lancaster
Zanesville

OKLAHOMA
Altus
Tulsa

PENNSYLVANIA
Altoona
Chester
Clifton Heights
Horsham
Philadelphia
Scranton

SOUTH CAROLINA
Aiken
Charleston
Columbia
Spartanburg

TENNESSEE
Chattanooga
Jackson
Johnson City
Memphis

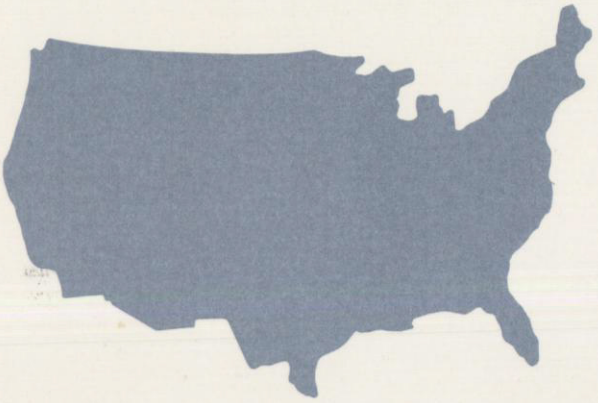
TEXAS
Amarillo
Baytown
Beaumont
Big Spring
Borger
Brownwood
Corpus Christi (2)
Dallas
Galveston
Harlingen
Houston (2)
McAllen
Midland
San Antonio
Texarkana

VIRGINIA
Lynchburg

WEST VIRGINIA
Charleston
Huntington

WISCONSIN
Green Bay
Oshkosh

Mangel Stores
CORPORATION



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